



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GRAYSON COUNTY TOURISM COMMISSION**

**Fiscal Year Ended June 30, 1998**

**EDWARD B. HATCHETT, JR.  
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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Members of the Grayson County Tourism Commission

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balance arising from cash transactions of the Grayson County Tourism Commission, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balance for the year then ended. These financial statements are the responsibility of the Grayson County Tourism Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the fourth paragraph below, we conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Karen Woosley served as the Chamber of Commerce's member on the commission, and was elected chairman of the commission during the period covered by this audit. As chairman, with the prior approval of the commission, Ms. Woosley signed all contracts, deeds, and other legal documents on behalf of the commission. She also co-signed with the commission's treasurer all checks. As a result of a lawsuit involving Ms. Woosley and the commission during this period, the Grayson Circuit Court ruled that Ms. Woosley was not a member of the commission after the time the Chamber of Commerce elected Becky Brooks as its representative on the commission. Due to the uncertainty created by these events, we are unable to determine if all the actions of the commission were legally authorized during this time period as disclosed in Note 4. In addition, we were unable to obtain supporting documentation for many expenditures of the commission, and we could not determine if the minutes of commission meetings were complete and accurate.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Members of the Grayson County Tourism Commission

In our opinion, except for the effects of such adjustments, if any, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions of Grayson County Tourism Commission, and the related statement of revenues, expenditures, and changes in fund balance as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Based on the results of our audit, we have presented Comments and Recommendations, included herein, which discuss the following areas of noncompliance:

- The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Members Of The Grayson County Tourism Commission Should Approve All Expenditures And Approval Should Be Recorded In the Minutes
- The Grayson County Tourism Commission Has Filed Suit To Determine If It Is Required To Reimburse Karen Woosley \$5,433

In accordance with Government Auditing Standards, we have also issued a report dated July 12, 1999, on our consideration of the Grayson County Tourism Commission's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 12, 1999

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE

June 30, 1998

Assets

|                                      |               |
|--------------------------------------|---------------|
| Cash in Bank                         | \$ 23,182     |
| Refund Due From Vendor               | 1,000         |
| Investments - Certificate of Deposit | <u>35,384</u> |

|              |                  |
|--------------|------------------|
| Total Assets | <u>\$ 59,566</u> |
|--------------|------------------|

Liabilities and Fund Balance

Liabilities

|                  |          |
|------------------|----------|
| Accounts Payable | \$ 3,315 |
|------------------|----------|

|              |               |
|--------------|---------------|
| Fund Balance | <u>56,251</u> |
|--------------|---------------|

|                                    |                  |
|------------------------------------|------------------|
| Total Liabilities and Fund Balance | <u>\$ 59,566</u> |
|------------------------------------|------------------|

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY  
 GRAYSON COUNTY TOURISM COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Fiscal Year Ended June 30, 1998

Revenues

|                |              |           |
|----------------|--------------|-----------|
| Tourism Tax    | \$ 42,196    |           |
| Donations      | 1,000        |           |
| Interest       | <u>2,073</u> |           |
| Total Revenues |              | \$ 45,269 |

Expenditures

|  |            |                         |
|--|------------|-------------------------|
| Wages                                    | \$ 9,197   |                         |
| Payroll Taxes and Withholdings           | 2,248      |                         |
| Advertising                              | 21,982     |                         |
| Events                                   | 8,930      |                         |
| Prizes and Awards                        | 2,725      |                         |
| Office Furniture and Equipment           | 2,169      |                         |
| Rent                                     | 4,550      |                         |
| Attorney Fees                            | 5,000      |                         |
| Matching Funds                           | 5,115      |                         |
| Insurance                                | 761        |                         |
| Telephone                                | 2,064      |                         |
| Office Supplies and Postage              | <u>245</u> |                         |
| Total Expenditures                       |            | <u>64,986</u>           |
| Deficiency of Revenues Over Expenditures |            | \$ (19,717)             |
| Fund Balance July 1, 1997                |            | <u>75,968</u>           |
| Fund Balance June 30, 1998               |            | <u><u>\$ 56,251</u></u> |

The accompanying notes are an integral part of the financial statements.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT

June 30, 1998

Note 1. Summary of Significant Accounting Policies

The Grayson County Tourism Commission (commission) was formed as a result of enabling legislation passed by the General Assembly of the Commonwealth of Kentucky. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992, establishing the Grayson County Tourism Commission and transit room tax. The purpose of the commission is to promote convention and tourism activity. KRS 91A.360 allows the commission to elect from its membership a chairman and a treasurer, and it may employ personnel and make contracts necessary to carry out its purpose. The contracts may include, but shall not be limited to, the procurement of promotional services, advertising services, and other services and materials relating to the promotion of tourist and convention business.

The commission's purpose is to direct the promotion of Tourism and Convention activities of the Grayson County service area. The commission's objectives are:

- To increase business to every establishment which directly or indirectly serves the convention/and/or traveling public;
- To encourage those servicing the traveling public to always render a high standard of performance and to levy charges proportionate to the quality and quantity of service and/or products supplied;
- To extend the hand of welcome to all visitors, and visitor prospects, in keeping with the highest traditions of hospitality expected of our area and in keeping with fair and honest business practice; and
- To provide leadership and/or seek funding to involve those establishments serving the traveling public in projects and programs which enhance and advance our community and simultaneously provide for expansion of convention and/or tourist business in Grayson County.

The commission membership consists of seven people appointed by the County Judge/Executive and the Mayor of the largest city (Leitchfield) in Grayson County.

- One member from a list submitted by the local restaurant association;
- One member from a list submitted by the Chamber of Commerce;
- One member appointed by the County Judge/Executive;
- Three members from a list submitted by the local hotel/motel association; and
- One member appointed by the Mayor of the City of Leitchfield.

Board members are initially appointed for terms as follows:

- Two for the term of three years;
- Two for the term of two years; and
- Three for the term of one year.

Subsequent appointments shall be for three-year terms. Board members may be removed for cause.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT  
June 30, 1998  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

The officers of the commission shall be the chairman, vice-chairman, secretary, and treasurer, all of whom shall be members of the commission. The officers shall be elected and serve a term of one year. There will be no term limits as to how long a commissioner may fill or serve in the same office.

The duties of the commission's officers are as follows:

- Chairman – the chairman is the chief spokesman of the commission. The chairman will preside at all meetings of the commission and at meetings of the executive committee. The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission. The chairman will name all committee chairmen and committee members.
- Vice-Chairman – the duties of the vice-chairman will be the same as for the chairman, except that they will be performed in the absence of the chairman or when the chairman is unable to perform such duties.
- Secretary – the secretary shall be responsible to approve and certify the minutes of the meetings as the official record of the commission.
- Treasurer – the treasurer will cause monthly financial statements to be submitted. At no time shall the treasurer serve as the Chairman of the Budget or Finance Committee. The treasurer will cause an audit to be made every two years of the commission's financial records by its designated certified public accountants, who will be paid for by the commission.

Meetings of the commission will be held, at least monthly, on the second Tuesday of the month or at another time and day agreed upon by a majority of the commission at a time and place to be determined by the chairman. Additional meetings may be called by the chairman as circumstances require. All meetings will be conducted within the provisions of the open meetings statute.

The staff is the “working arm” of the commission and is subject to its authority. The chairman shall employ staff members that will be responsible for the day to day operations and management of the commission. The chairman will be responsible for hiring, training, and termination of staff members subject to approval by the commission.

The bylaws may be amended from time to time by a majority vote of the commission.

A. Reporting Entity

The financial statements of the Grayson County Tourism Commission include funds for which the Grayson County Tourism Commission is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the tourism commission's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT  
June 30, 1998  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The Grayson County Tourism Commission uses a fund to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The Grayson County Tourism Commission prepares its financial statements on a cash basis of accounting. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance – Budget

The annual operational budget shall be drafted by the chairman. The draft will be submitted to the commission's budget/finance committee for consideration, modification, and approval. The commission will submit a budget to the Grayson County Judge/Executive for fiscal court approval before June of each year. The commission prepared a proposed budget for fiscal year ended June 30, 1998. We were not able to find approval for a final budget in the minutes. The budget was not submitted to the Grayson County Fiscal Court for approval.

E. Fiscal and Financial Procedures

The fiscal and financial procedures are:

- The fiscal year of the commission begins on July 1 and ends June 30 of the following year.
- The funds of the commission are derived from transient room taxes authorized by KRS; and are limited by statute not to exceed three percent. Supplemental funds may be derived from the Kentucky Matching Funds Program as permitted by statute and that agency's guidelines; and from such additional sources as the commission may from time to time approve.
- There shall be no dollar limit on budget-approved expenditures except that competitive bids will be obtained on intended purchases at, or above, the statutory limit (\$7,500), and in full accord with statutory provisions. In addition, competitive bids should be obtained at the discretion of the chairman on all major purchases not covered under state statutory provision. All expenditures of \$1,000 or more, except payroll, will be reported to the commission as an addendum to the financial report.
- The chairman will, after approval of the commission, sign all contracts, deeds, and other legal documents on behalf of the commission.
- All funds of the commission shall be promptly deposited in interest bearing accounts designated by the commission. The commission shall maintain a general account. Checks drawn against the general account of the commission requires the signature of the chairman and treasurer. The check signing commissioners, chairman and staff will be bonded.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT  
June 30, 1998  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Fiscal and Financial Procedures (Continued)

- Funds may be invested in interest bearing accounts or certificates of deposits at service area banks.
- A financial report reflecting budget line items and expenditures and balances, bank account balance, tax receipts, and other income will be presented to the commissioners at each of the regular meetings. Monthly financial reports will be mailed to the members prior to commission meetings.

F. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 2), investments exclude certificates of deposit. The commission considers all short-term investments with an original maturity of three months or less to be cash equivalents. Excess funds are invested in certificates of deposit.

KRS 66.480 authorizes the tourism commission to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The Grayson County Tourism Commission does not participate in a retirement system.

Note 3. Deposits

The commission maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The commission did not have more than \$100,000 of funds at any time and was insured by the FDIC.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT  
June 30, 1998  
(Continued)

Note 4. An Order Was Entered By The Grayson Circuit Court Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission

In January 1997, the Grayson County Chamber of Commerce submitted three names, in accordance with KRS 91A.360(1)(d), as nominees to replace the Chamber's current delegate on the Grayson County Tourism Commission. At the February 1997 meeting of the Grayson County Fiscal Court, the County Judge/Executive declared all three nominees unacceptable to him. The Chamber of Commerce then submitted three more nominees, which were also denied by the County Judge/Executive. Apparently, the Mayor of the City of Leitchfield expressed his willingness to endorse a member from the names submitted by the Chamber of Commerce. When more than 30 days had expired after submission of the list of nominees without appointment, the Chamber of Commerce conducted an election with all members being mailed ballots as provided in KRS 91A.360(2). Becky Brooks was elected by the Chamber of Commerce members to serve as their designee on the Tourism Commission. Becky Brooks thereafter attempted to take her seat on the Commission, but was not permitted to do so by the Commission. The reason, reportedly, was an alleged conflict between KRS 67.710 ("Powers and Duties" of County Judge/Executive) and KRS 91A.350, et seq., ("Local Tourist and Convention Commissions"). The Commission refused to recognize anyone not selected by the County Judge/Executive. The dispute went to court, and the local Circuit Judge issued an order, dated July 29, 1998, which adjudged, in part, the following:

- Becky Brooks was the representative of the Chamber of Commerce on the Tourism Commission;
- If Karen Woosley purports to hold a seat on the Tourism Commission as the representative of the Chamber of Commerce, then she shall vacate that position forthwith; and
- The Tourism Commission has the power and authority to authorize an audit of its accounts and activities.

A motion to amend the judgment was filed by counsel for the Grayson County Tourism Commission to request the court to:

Include in its opinion and order that Karen Woosley was a member of the Tourism Commission during the time period of this action, serving at the discretion of the County Judge/Executive and in a good-faith reliance on a statute which this court has declared to be superceded by a contrasting statute, and that the actions of the Commission, during this time period, were legal where the requirements of a quorum were met. The current audit of the commission should be conducted by the certified public accountant engaged by Karen Woosley.

The Circuit Judge denied the motion.

On August 20, 1998, the Grayson County Fiscal Court appointed Karen Woosley to the commission to finish the unexpired term of George Basham, who resigned.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
NOTES TO FINANCIAL STATEMENT  
June 30, 1998  
(Continued)

Note 4. An Order Was Entered By The Grayson Circuit Court Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission (Continued)

The Circuit Judge ruled that Karen Woosley was not a member of the Tourism Commission after the Chamber of Commerce elected Becky Brooks as their representative. Before the Court's ruling, however, Karen Woosley was elected chairman of the commission during this period and with the prior approval of the commission, signed all contracts, deeds, and other legal documents on behalf of the commission. She also co-signed all checks with the treasurer. We are unable to determine if the actions of the commission were legal during this time period.

Note 5. Subsequent Events

- A. A dispute arose between a former Chairperson of the Commission, Karen Woosley, and a majority of the Commission, over whether Karen Woosley was entitled to reimbursement from the Commission of \$5,433 which she paid in connection with an audit of the Commission, and other accounting assistance, performed by a Louisville CPA firm. This dispute resulted in a declaratory judgment action being filed by the Commission against Karen Woosley, which is currently pending.
- B. The Grayson County Tourism Commission was awarded a grant from the state for \$200,000 to construct a tourism information center. This grant requires the commission to provide \$100,000 of matching funds towards the project, which may be in-kind contributions. The fiscal court will donate land and labor to construct the tourism information center, therefore the cash required from the commission will not be \$100,000. At the current time, the commission is determining how to proceed with the project.

GRAYSON COUNTY  
 GRAYSON COUNTY TOURISM COMMISSION  
 COMPARATIVE SCHEDULE OF PROPOSED BUDGET  
TO ACTUAL REVENUES AND EXPENDITURES

Fiscal Year Ended June 30, 1998

|  | Budget *         | Actual           | Actual<br>Over/<br>(Under)<br>Budget |
|--|------------------|------------------|--------------------------------------|
| <u>Revenues:</u>   |                  |                  |                                      |
| Balance forward on July 1, 1997                            |                  |                  |                                      |
| Checking Account   | \$ 1,000         | \$ (1,478)       | \$ (2,478)                           |
| Transient Tax  | 57,000           | 42,196           | (14,804)                             |
| Grant Award  | 2,000            | 1,000            | (1,000)                              |
| Interest on Certificate of Deposit<br>and Checking Account | 3,500            | 2,073            | (1,427)                              |
| Total Projected Income                                     | <u>\$ 63,500</u> | <u>\$ 43,791</u> | <u>\$ (19,709)</u>                   |
| <u>Expenditures:</u>                                       |                  |                  |                                      |
| Wages  | \$ 8,000         | \$ 9,197         | \$ 1,197                             |
| Withholding  | 3,500            | 2,248            | (1,252)                              |
| Attorney Fees  |                  | 5,000            | 5,000                                |
| Rent   | 4,500            | 4,550            | 50                                   |
| Insurance  | 1,500            | 761              | (739)                                |
| Marketing/Promotional/Matching Funds                       | 10,000           | 8,930            | (1,070)                              |
| Marketing/Promotional                                      | 30,000           | 24,707           | (5,293)                              |
| Office Expense   | 3,000            | 4,478            | 1,478                                |
| Independent Contractors/Match                              | 3,000            | 5,115            | 2,115                                |
| Total Projected Expense                                    | <u>\$ 63,500</u> | <u>\$ 64,986</u> | <u>\$ 1,486</u>                      |

\* We were unable to locate the final approved budget in the minutes of the Grayson County Tourism Commission.

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## COMMENTS AND RECOMMENDATIONS



GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

The responses to these comments from the current commission and from former Chairman Karen Woosley have been included in Appendix A and Appendix B, respectively. Their responses do not change our comments and recommendations in any manner.

1) The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

The Grayson County Tourism Commission's bylaws require the commission to adopt a budget and to submit it to the fiscal court for approval. As required by the Grayson County Tourism Commission's bylaws, a copy of the Commission's budget was submitted to the Grayson County Judge/Executive, but not to the Grayson County Fiscal Court. By joint action of the Grayson County Fiscal Court and the City of Leitchfield, an ordinance was enacted in 1992 establishing the Grayson County Tourism Commission and a transit room tax. The ordinance states, "[t]he commission shall make an itemized quarterly report to the appointing authority showing the expenses and income for each month. The commission shall further present copies of its annual budget to the appointing authority." The commission adopted a budget for fiscal year ending June 30, 1996, but it was not approved by the fiscal court. We recommend that the Grayson County Tourism Commission submit its budget to the fiscal court for approval as required by commission bylaws, and submit its quarterly reports to the fiscal court and the City of Leitchfield as required by ordinance.

2) The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports

During our audit, we noted the absence of sufficient documentation to support payment of expenditures made by the commission. Sufficient documentation consists of original invoices, receipts, or other supporting documentation and cancelled checks. We could not locate original invoices or other documentation to support \$15,647 of operating expenditures. Karen Woosley provided signed affidavits to support \$8,340 of total operating expenditures of \$53,541. In addition, we could not locate any signed time sheets to support payroll expenditures of \$11,445. She submitted calendars listing the hours worked each day and name of the employee. We were unable to locate complete financial reports for fiscal year ending June 30, 1998. The by laws require that a financial report reflecting budget line items, expenditures, budget balances, bank account balances, tax receipts, and other income be presented to the commissioners at each of the regular meetings. Monthly financial reports will be mailed to the members prior to commission meetings.

We recommend that supporting documentation for expenditures be maintained and financial reports be presented to the commissioners at each of the regular meetings.

3) The Recording Of The Minutes Should Be Improved

The commission's bylaws require the secretary to approve and certify the minutes of the meetings as the official records of the commission. During the months of July and August of 1997, the commission's minutes were not as detailed, complete, or accurate as they had been in the months prior to January 1997. We recommend that the commission's minutes be complete and accurate. In addition, the minutes as approved by the commission should be dated and signed by the secretary, and signed by all of the commission members present.

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

4) The Grayson County Tourism Commission Should Maintain Proper Time Records

During our audit we could not find time sheets on the employees. KRS 337.320 requires the employer to keep a record of the amount paid each pay period to each employee, the hours worked each day and each week by each employee, and such other information as the Commissioner of the Department of Workplace Standards in the Kentucky Labor Cabinet requires. The time sheet should list the hours worked each day and each week by each employee, and record the employee's compensated leave time earned and used. The employee and the commission chairperson should sign the time sheet.

5) The Members Of The Grayson County Tourism Commission Should Approve All Expenditures And Approval Should Be Recorded In The Minutes

The bylaws approved June 9, 1998 state, "The Executive Director has responsibility of purchasing, restricted by budgetary limits, and the subsequent approval of bills, invoices, statements, and vouchers. All expenditures of \$100 or more, except payroll will be reported to the commission monthly as an addendum to the financial report. Checks drawn on the commission's general account shall require two (2) signatures, one of which shall at all times be that of the treasurer. Those authorized to sign the checks are the chairperson, vice-chairperson, and the treasurer." Therefore, the other commission members do not examine individual invoices or claims before or after payment is made.

We recommend that expenditures with supporting documentation be available to all of the commission members for approval. In addition, this approval should be recorded in the minutes.

6) The Grayson County Tourism Commission Has Filed Suit To Determine If It Is Required To Reimburse Karen Woosley \$5,433

During the time covered by this audit, a dispute arose between a former Chairperson of the Commission, Karen Woosley, and a majority of the Commission, over whether Karen Woosley was entitled to reimbursement from the Commission of \$5,433 she paid in connection with an audit of the Commission, and other accounting assistance, performed by a Louisville CPA firm. This dispute resulted in a declaratory judgment action being filed by the Commission against Karen Woosley, which is currently pending.

We recommend that the commission await the resolution of this matter in the courts, and abide by the final decision of the courts.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
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Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Members of the Grayson County Tourism Commission

### Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statement Performed In Accordance With Government Auditing Standards

We have audited the Grayson County Tourism Commission for fiscal year ending June 30, 1998, and have issued our report thereon dated July 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Grayson County Tourism Commission's financial statement as of June 30, 1998, are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under Government Auditing Standards which are described in the Comments and Recommendations section, included herein.

- The Grayson County Tourism Commission Should Have Prepared And Submitted Its Annual Budget To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Members Of The Grayson County Tourism Commission Should Approve All Expenditures And Approval Should Be Recorded In The Minutes

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Grayson County Tourism Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Sarah Jane Schaaf, Secretary, Revenue Cabinet  
Members of the Grayson County Tourism Commission

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Comments and Recommendations, included herein.

- The Grayson County Tourism Commission Should Have Prepared And Submitted Its Annual Budget To The Grayson County Fiscal Court
- The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Maintain Complete Financial Reports
- The Recording Of The Minutes Should Be Improved
- The Grayson County Tourism Commission Should Maintain Proper Time Records
- The Members Of The Grayson County Tourism Commission Should Approve All Expenditures And Approval Should Be Recorded In The Minutes

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the above items listed to be material weaknesses.

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 12, 1999

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
CURRENT COMMISSION'S RESPONSE TO COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998



GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
CURRENT COMMISSION'S RESPONSE TO COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

*Mrs. Woosley refused to either maintain or turn over all of the above information. It was from this type of behavior that the Chamber of Commerce chose to appoint a different individual as their representative to the Commission. While we concur with the recommendations, the Commission should not be responsible for the actions or behavior of Mrs. Woosley.*

*The Commission is not aware of any Special Called meeting to authorize Mrs. Woosley to hire an accounting firm. A meeting was held during the May date to hire a different audit firm. Furthermore, the Commission immediately corresponded with the Louisville firm Mrs. Woosley had communicated with demanding that work not commence on any services requested by Mrs. Woosley. The request was supposedly ignored. Mrs. Woosley then, on June 23, 1998, after the Commission had hired an audit firm, signed a contract with the Louisville firm, ignoring the auditor that the Commission hired during the May meeting and ignoring the request by the Commission to the Louisville firm to not proceed with work. The Commission has no intention of compensating Mrs. Woosley or "her" auditor for services that the Commission specifically requested of her and "her" auditor not to commence.*

*In addition, Mrs. Woosley states that she requested reimbursement from the Grayson County Tourism Commission on June 22, 1998. The firm she supposedly paid sent the Commission an invoice dated for November 5, 1998 stating that they had not received payment. This firm also sent the Grayson County Judge Executive a letter requesting payment dated December 15, 1998. Mrs. Woosley did not request payment from the Commission until February 9, 1999. She had no supporting documentation to show that she had even paid the Louisville firm, so the Commission is in question of whether or not they were indeed paid.*

*While this report is on the Grayson County Tourism Commission, this Commission should not be responsible for the irregularities and loose controls perpetrated by Mrs. Woosley. Under the appearance of claiming to help lead an organization, she consistently ignored the expiration of her term, court orders, and requests for information, which wrecked havoc on a community and an organization.*

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GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
KAREN WOOSLEY, FORMER CHAIRMAN'S  
RESPONSES TO NOTES, COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998



GRAYSON COUNTY  
KAREN WOOSLEY, FORMER CHAIRMAN'S  
GRAYSON COUNTY TOURISM COMMISSION  
RESPONSE TO NOTES, COMMENTS, AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

- 1) The Grayson County Tourism Commission Should Have Submitted Its Annual Budget And Quarterly Reports To The Grayson County Fiscal Court

*The Grayson County Tourist Commission did adopt an annual budget which was submitted to the Grayson County Judge Executive pursuant to the Commission Bylaws Section XII C-3. We did submit monthly financial reports along with minutes to the Grayson County Judge Executive. There was never any attempt to bypass fiscal court. We will in the future submit our annual budget to the Grayson County Fiscal Court. In 1998 \$26,219,028 tourism dollars was spent in Grayson County. This is approximately a million and half dollars. In 1992 \$17,359,295 tourism dollars were spent in Grayson County. Seven year later we are up to \$26,219,028. This speaks well of the commissions marketing plans and tourism campaigns. The tourism sponsored many local tourism projects. The Grayson County Tourism Commission Funds have been managed well. The Commission drew alot of interest money. All transient taxes have been accounted for and there were no illegal expenditures. The tourism money balances from one year to the next. In April we applied for funding for a regional tourism center to be built in Leitchfield. The Commission is excited about this project that will be completed in the near future.*

- 2) The Grayson County Tourism Commission Should Maintain Sufficient Documentation To Support Payment Of Expenditures And Should Maintain Complete Financial Reports

*See Exhibit C. We are turning in additional documentation to support 1997/98 expenditures.*

Auditor's Response:

Karen Woosley submitted signed affidavits or receipts to provide additional support for the expenditures. They were not original invoices or receipts. Due to the number of the documents, we have not included "Exhibit C" in the audit report.

- 3) The Recording Of The Minutes Should Be Improved

*We agree. I was not the secretary.*

- 4) The Grayson County Tourism Commission Should Maintain Proper Time Records

*Attached hereto is the Time Sheets. See Exhibit C.*

Auditor's Response:

Karen Woosley submitted calendars listing the hours worked each day and name of the employees. The calendars did not contain the information required by Kentucky Labor Cabinet. We have not included the "Exhibit C" in this audit report.

- 5) The Members Of The Grayson County Tourism Commission Should Approve All Expenditures And Approval Should Be Recorded In The Minutes

*I agree.*

GRAYSON COUNTY  
 GRAYSON COUNTY TOURISM COMMISSION  
 KAREN WOOSLEY, FORMER CHAIRMAN'S  
 RESPONSE TO NOTES, COMMENTS, AND RECOMMENDATIONS  
 Fiscal Year Ended June 30, 1998  
 (Continued)

6) The Grayson County Tourism Commission Has Filed Suit To Determine If It Is Required To Reimburse Karen Woosley \$5,433

*The Grayson County Tourism Commission was sued in August of 1997. Members objected to Brad Travis or Dan Drane CPA's doing the commissions audits. Commission members felt Travis and Drane could not be independent auditors due to the fact Brad Travis had the law suite initiated against the tourist commission. Dan Drane a close friend Travis counted the Chamber's ballot, the plaintiff herein.*

*Wilma the treasurer, who was responsible for the audit report did not want to use Dan Drane. Lee request to use the firm in Louisville that did not have ties with the Chamber click. See Commissions Bylaws Section V (d) Treasurer. An auditor in Louisville was to be hired to help fulfill the commission Judiciary requirements pursuant to the court case pending in Grayson Circuit Court "Grayson County Chamber of Commerce v. Grayson County Tourist Commission. The commission was under the legal council of Gatewood Galbraith who advised the commission that they were responsible for the audit. The Commissions Bylaws state in Section V (d) "The Treasurer will cause monthly financial statements to be submitted. At no time shall the Treasurer served as the Chairman of the Budget or finance Committee." The Treasurer will cause an audit report to be made every two years of the commissions financial records by its designated Certified Public Accountants, said Certified Public Accountant will be paid for by the Commission." In February, Wilma Lee was not reappointed. Carroll Faller resigned, Sandy Edwards term expires. The only remaining commissioners were Karen Woosley and Jim Jarboe.*

*In March of 1998 newly appointed commissioner, Mike McKinley stared calling and harassing Karen Woosley. McKinley on more that one occasion, "You might as well resign because what I'm going to take you out. You are not going to like what I am going to do to you. I am going to take you out! You are outnumbered. You might as well resign and leave the commission.*

*An illegal meeting of the commission was held on April 14. Bank accounts were transferred and taken over. Woosley was denied funds for CPA bill and fired the commission's attorney, Gatewood Galbraith, leaving Woosley without council for the Chamber v Tourism case.*

*A Breakfast meeting was held on April 15, 1998 (a quorum was not established.).*

*On April 21 there was another tourism meeting in an attempt to take Woosley out of office. See copy of April 21, 1998, minutes.*

*On July 29, 1998, Circuit Judge Sam Monarch ruled in the Grayson County Chamber of Commerce case v. Grayson County Tourist Commission as follows:*

*At a hearing in Grayson Circuit Court on July 29, 1998. The Court ruled that the plaintiffs motion, the Chamber be granted. The Court ruled that Becky Brooks must be seated and accepted by the tourism commission as the Chamber of Commerce delegate.....and the Court further stated that the other motions before the court for sanctions were rendered moot and the other motions simply were not addressed.*

GRAYSON COUNTY  
GRAYSON COUNTY TOURISM COMMISSION  
KAREN WOOSLEY, FORMER CHAIRMAN'S  
RESPONSE TO NOTES, COMMENTS, AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 1998  
(Continued)

6) The Grayson County Tourism Commission Has Filed Suit To Determine If It Is Required To Reimburse Karen Woosley \$5,433 (Continued)

*The Court said to Woosley..."I think somebody told me that, in fact, you are seated on the tourism now as a representative of the county judge executive office. No one has challenged that and I didn't look at that. The only other thing that I addressed was your, the tourist commissions ability to require and order an audit, and I think unquestionably that you have the authority to do it and have an obligation to do so.*

*Yes. July 29, 1998 Becky Brooks legally appointed to the tourism commission. Karen Woosley told by Circuit Judge Monarch to proceed with the audit report.*

*September 15, 1998 reiterated his initial order. Woosley in charge of audit.*

*In March of 1999, Tom Goff the county Attorney filed suite on behalf of the Grayson County Tourist Commission asking for a Declaratory Judgement not to pay Woosley. The lawsuit filed by Goff is illegl since he is employed by the Fiscal Court and tax payers of the county for legal matters. The Fiscal Court cannot sue the Fiscal Court nor can Goff sue the commission after the contract with Smith was entered into the Grayson County Fiscal Court records. Circuit Judge Monarch told Woosley on July 29 to proceed with the audit report.*

*This is an example of discriminatory and frivolous law suite initiated by the county attorney. This is clearly a conflict of interest for Goff and clearly a form of harrassment to Woosley.*

*KRS 522.020 Official misconduct in the first degree.*

*A public servant is quilty of official misconduct in the first degree when with  
Intent to obtain or confer a benefit or to injure another person or to deprive another  
person of a benefit...,*

Note 4. An Order Was Issued By The Circuit Judge Declaring Becky Brooks The County Chamber of Commerce's Lawful Designee On The Grayson County Tourism Commission

*An order was issued by the Circuit Judge declaring Becky Brooks the Chamber of commerce's lawful designee. (See Exhibit A" [See next page] transcription of hearing before the Court.)...At a hearing in Grayson Circuit Court on July 29, 1999, the Court ruled that the plaintiffs motion, the Chamber be granted. The Court ruled that Becky Brooks must be seated and accepted by the Tourism Commission as the Chamber of Commerce de;gate....'and the Court further stated that the other motions before the court were rendered moot and the other motions simply were not addressed. The Court said to Woosley..."I think somebody told me that, in fact you were seated on the tourism commission as a representative from the county judge executives office. No one has challenged that and I didn't look at that. The only other thing that I addressed was your, the tourist commission ability to require and order an audit and I think unquestionably that you have the authority to do it and have an obligation to do it."*